88-1335

No.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1988

GETTY PETROLEUM CORP.,

Petitioner,

– against –

BARTCO PETROLEUM CORP.,
NICHOLAS J. BARTOLOMEO,
ANTHONY GOLIO,

Respondents.

APPENDIX TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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APPENDIX A

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

Nos. 494, 495, 496—August Term 1987

(Argued January 13, 1988 Decided September 22, 1988)

Docket Nos. 87-7668, 87-7674, 87-7770

GETTY PETROLEUM CORP.,

Plaintiff-Appellee,
Cross-Appellant,

—v.—

BARTCO PETROLEUM CORP., NICHOLAS J. BARTOLOMEO, MIRACLE PETROLEUM CORP., PRUGIG REALTY CORP., ANTHONY GOLIO, PETER CIORCIARI, LENA PETROLEUM CORP., A.E.N. TRUCKING, CORP., PATRICK O'REILLY, PADDY O'S SERVICE INC., and DANIEL J. FEIGENBAUM,

Defendants,

ANTHONY GOLIO, BARTCO PETROLEUM CORP., and NICHOLAS J. BARTOLOMEO,

Defendants-Appellants.
Cross-Appellees.

Before:

LUMBARD, CARDAMONE, and PRATT,
Circuit Judges

Defendants Bartco Petroleum Corp., Nicholas Bartolomeo, and Anthony Golio appeal from a final judgment entered in the United States District Court for the Eastern District of New York (Mishler, J.) on July 16, 1987 (amended August 12, 1987 and clarified September 17, 1987) finding them liable to plaintiff Getty Petroleum Corp. under the Lanham Act for compensatory and punitive damages and enjoining their further use of the "Getty" mark. Defendants also appeal from the district court's August 25, 1987 decision and order denying their motion for a j.n.o.v. and remittitur as to punitive damages and its September 2, 1987 decision and order awarding plaintiff its attorney fees. Getty Petroleum Corp. cross-appeals against the above-named defendants from the district court's June 22, 1987 decision and order granting defendants' motion to vacate the original jury's punitive damages award and denying plaintiff's motion for enhanced compensatory damages.

Affirmed in part, reversed in part and remanded.

CLIFFORD J. CHU, Great Neck, New York (Hayt, Hayt & Landau, Attorneys for Defendants Bartco Petroleum Corp.; Roy Broudny, P.C.; Ralph Pernick, Great

Neck, New York, all of counsel), *for Defendants-Appellants Cross-Appellees Bartco Petroleum Corp. and Nicholas J. Bartolomeo.*

LAWRENCE A. BERGER, Great Neck, New York, *for Defendants-Appellants Cross-Appellees Anthony Golio and Prugig Realty Corp.*

ROBERT G. DEL GADIO, Garden City, New York (Harry R. Dreizen, of counsel), *for Plaintiff-Appellee Cross-Appellant Getty Petroleum Corp.*

CARDAMONE, *Circuit Judge*:

The purposes underlying the Lanham Trademark Act of 1946 are to protect the public so it may buy a product bearing a particular trademark with confidence that it will get the product it wants and to protect the holder of the mark's investment in time and money from its misappropriation by pirates and cheats. The defendants-appellants on this appeal violated the Lanham Act by infringing the "Getty" trademark "willfully, intentionally and with a callous and reckless disregard" for plaintiff's rights.

The question before us—one neither this court nor the Supreme Court have expressly ruled upon—is whether punitive damages may be imposed against a trademark infringer under § 35 of the Lanham Act. The district court thought that punitive damages could be imposed and permitted a jury award for plaintiff of over $2 million in such damages against appellants to stand. Under the statutory scheme the emphasis is on an award constituting "com-

pensation and not a penalty," and a plaintiff's entitlement to recover such an award is "subject to the principles of equity." Punitive damages therefore constitute judicial punishment that under the Lanham Act does not fit the crime.

BACKGROUND

The Federal Trade Commission, as a condition to its approval of the 1984 purchase of Getty Oil Company (Getty) by Texaco, Inc. (Texaco), required Texaco to transfer the "Getty" tradename and trademark and to divest itself of the acquired company's northeastern marketing facilities. *See Russo v. Texaco, Inc.*, 630 F. Supp. 682 (E.D.N.Y.), *aff'd*, 808 F.2d 221 (2d Cir. 1986). Power Test Corp. bought Getty's northeastern business in February 1985 from Texaco and obtained an exclusive trademark license for the "Getty" marks. On July 11, 1985 ownership of the "Getty" marks was transferred to Power Test, which thereupon changed its name to Getty Petroleum Corp. (Getty Petroleum). Getty Petroleum continued the business formerly conducted by Getty and is the plaintiff in the instant litigation.

Appellants Anthony Golio, Bartco Petroleum Corp. (Bartco), and Nicholas Bartolomeo—along with their eight codefendants—owned and operated three retail Getty gasoline service stations in Oceanside, New Hyde Park, and Garden City Park, New York, respectively. From February 1985 to April 1986 these service stations sold gasoline purchased from sources other than Getty Petroleum in violation of their franchise agreements with Getty. Getty Petroleum sued appellants in January 1986 alleging infringement of the registered "Getty" trademark and service mark and wrongful use in commerce of false

designations of origin, false descriptions, and false representations in violation of the Lanham Trademark Act of 1946, 15 U.S.C. §§ 1051, 1114(1), 1116-1118, and 1125(a) (Lanham Act). Plaintiff also alleged unfair competition under the common law and various violations of state law, including dilution of trademark value, false advertising, and breach of contract.

There have been two jury trials of this suit. We briefly set out the events in those trials that relate to this appeal. At the first trial in June 1987, the jury found appellants Bartco, Bartolomeo, and Golio—along with their codefendants—had violated the Lanham Act by infringing Getty Petroleum's trademark rights "willfully, intentionally and with a callous and reckless disregard" for the latter's rights. It awarded plaintiff compensatory damages totalling $107,579.75. The jury assessed in addition $6.5 million in punitive damages for the Lanham Act violations against Bartco ($1.5 million), Bartolomeo ($3 million), and Golio ($2 million).

Following that verdict, defendants moved, *inter alia*, for a judgment notwithstanding the verdict (j.n.o.v.) pursuant to Fed. R. Civ. P. 50(b) or, alternatively, for a new trial on the issue of punitive damages pursuant to Fed. R. Civ. P. 59. Plaintiff moved for increased compensatory damages pursuant to § 35 of the Lanham Act. Interpreting *Quaker State Oil Ref. Corp. v. Kooltone, Inc.*, 649 F.2d 94 (2d Cir. 1981), as approving punitive damages as a remedy under the Lanham Act, the district judge denied defendants' motion for a j.n.o.v. but nonetheless vacated the award of punitive damages as against the appellants, finding it "so high as to shock the judicial conscience and constitute a denial of justice," *Zarcone v. Perry*, 572 F.2d 52, 56 (2d Cir. 1978). The trial judge denied plaintiff's

request for increased compensatory damages, but ordered a new trial on the issue of punitive damages, unless plaintiff agreed to a remittitur, which Getty Petroleum refused.

A second jury trial solely on the issue of Bartco's, Bartolomeo's, and Golio's liability for punitive damages was therefore held before the same district court judge a month later in July 1987. The second jury awarded over $2 million punitive damages to Getty Petroleum—$1,833,000 from Bartco and Bartolomeo, jointly, and $172,000 from Golio. Defendants again moved for a j.n.o.v. or, alternatively, a remittitur, which Judge Mishler denied. Finally, in a decision and order dated September 2, 1987 the district court assessed attorney fees of $157,192 and costs against Bartco and Bartolomeo severally and jointly with eight codefendants.

Bartco, Bartolomeo, and Golio appeal from the award of punitive damages for the Lanham Act violations and from the assessment of attorney fees and costs. Plaintiff Getty Petroleum cross-appeals from the order vacating the first jury's award of punitive damages and denying its motion for enhanced compensatory damages.

DISCUSSION

I *Punitive Damages Under § 35 of the Lanham Act*

A. Threshold Issues

Getty Petroleum urges us not to reach the question of whether § 35 of the Lanham Act, 15 U.S.C. § 1117(a) (Supp. IV 1986), authorizes punitive damages for infringement of a registered trademark. It argues first that it presented an overall claim of unfair competition of which its Lanham Act cause of action was only a part, and that the

jury's punitive damages award could be justified under a common law unfair competition theory and its state law claims. Second, plaintiff asserts that defendants' failure to object to the district court's jury charge on punitive damages waived any objection under Fed. R. Civ. P. 51.

We need not address whether plaintiff proved a common law unfair competition or state law claim or whether punitive damages are available under those theories because the record before us reveals that the jury considered only plaintiff's federal trademark infringement cause of action. Although plaintiff's complaint purported to state contract and common law unfair competition claims and various causes of action under the Lanham Act and the New York General Business Law, such allegations are irrelevant. What are pertinent are the theories of recovery actually charged to the jury. *Baas v. Hoye*, 766 F.2d 1190, 1194 (8th Cir. 1985).

The record discloses that on June 3, 1987—early in the first trial—plaintiff withdrew its claim for injury to its good will and reputation. On June 9 plaintiff withdrew its New York General Business Law claims for dilution of trademark value and false advertising and its breach of contract claims pertaining to the franchise agreements. During an on-the-record discussion of plaintiff's requested jury charges, the trial judge was of the opinion that plaintiff had withdrawn all its asserted causes of action, except its claim of trademark infringement. Plaintiff's counsel agreed that no other legal theories remained in the case.

The district court charged the plaintiff's theory of damages to the first jury in the following words

> The Plaintiff, Getty Petroleum, brings this action claiming trademark infringement in the sale of gaso-

> line by operators of three gasoline service stations. . . . They also claim a false description of the nature and quality of the gasoline sold to the public by using the Getty Trademark for the sale of non-Getty unleaded gasoline. The claims are based on two particular sections of an act of Congress commonly called the Lanham Act.

Further, the jury's special verdict form premised the imposition of punitive damages on a finding that appellants willfully infringed the "Getty" trademark with a "reckless disregard for Getty's trademark rights." No unfair competition issues were presented on the special verdict form for the jury to decide. Finally, the district judge apparently assumed both in its decision vacating the first punitive damages award (but approving punitive damages as a remedy under the Lanham Act) and during the second trial that the sole basis for awarding punitive damages was appellants' willful infringement of Getty Petroleum's trademark rights.

Thus, the theory for recovery of punitive damages "actually submitted to the jury," *Baas*, 766 F.2d at 1194, was willful infringement of the registered Getty trademark. Accordingly, we need not consider plaintiff's alternative unfair competition theory. *See id.* (refusing to consider plaintiff's common law negligence claim where case was submitted to jury solely as a federal statutory violation); *National Equip. Rental, Ltd. v. T.G. Stanley*, 283 F.2d 600, 603 (2d Cir. 1960) ("[C]ourt and counsel tried the case below on the assumption that [whether a transaction was a loan or not] was the only question. The issues cannot now be changed on appeal."). *Cf. North Am. Leisure Corp. v. A & B Duplicators, Ltd.*, 468 F.2d 695, 699 (2d Cir. 1972) (remanding for consideration of party's

artisan's lien claim which was abandoned below: although "an appellate court is not absolutely barred from considering legal theories not relied on below, . . . it must exercise such power with due regard to orderly procedure and fairness to the parties.").

Plaintiff's second reason urging us not to reach the punitive damages question is more troublesome. Fed. R. Civ. P. 51 provides in part, "No party may assign as error the giving or the failure to give an instruction unless that party objects thereto before the jury retires to consider its verdict . . . ." Thus, the procedural hurdle posed by the appellants' failure to object to the jury charge on punitive damages under the Lanham Act would seem unsurmountable. Concededly, as a general rule a party's failure to object to an instruction on punitive damages would preclude our considering on appeal that party's argument against an award of such damages. Yet despite the careful wording of Rule 51, we may under particular circumstances—and even absent a timely objection—consider whether a jury instruction is legally proper.

Precedent for such consideration is found, for example, in a case with a similar procedural history, *City of Newport v. Fact Concerts, Inc.*, 453 U.S. 247 (1981). There, the Supreme Court reviewed a municipal defendant's argument that it was error to charge a jury that 42 U.S.C. § 1983 authorized the award of punitive damages against it, even though the city had failed to object to that charge. The district court in that case had discussed and ruled upon the city's challenge to the punitive damages instruction when deciding a post-trial motion, though the challenge was not timely made under Rule 51. *Id.* at 253-54. The Supreme Court ruled that because the punitive damages issue was novel, important and likely to recur and

"the question was squarely presented and decided on a complete trial record by the court of first resort, was argued by both sides to the Court of Appeals, and has been fully briefed before this Court," *id.* at 257, it was convinced that "no interests in fair and effective trial administration advanced by Rule 51 would be served if we refused now to reach the merits ourselves," *id.* at 256. *See* 5A J. Moore, *Moore's Federal Practice* ¶ 51.04 (2d ed. 1988).

The Supreme Court declined to limit its review to a "plain error" standard. *City of Newport*, 453 U.S. at 256-57. As the Court explained, " 'Plain error' review under Rule 51 is suited to correcting obvious instances of injustice or misapplied law." *Id.* at 256. However, the Court concluded that a district "court's interpretation of the contours of municipal liability . . . hardly could give rise to plain judicial error since those contours are currently in a state of evolving definition and uncertainty." *Id.* We have employed the "plain error" exception to Rule 51 in order to reach issues not timely objected to in the trial court. *E.g.*, *Williams v. City of New York*, 508 F.2d 356, 362 (2d Cir. 1974); *see generally Air et Chaluer, S.A. v. Janeway*, 757 F.2d 489, 494 (2d Cir. 1985) (discussing "plain error" doctrine). Despite defendants' arguments to the contrary, we believe that lacking clear precedent, the district court's punitive damages jury charge was not "plain error."

More recently, in *Rebaldo v. Cuomo*, 749 F.2d 133 (2d Cir. 1984), *cert. denied*, 472 U.S. 1008 (1985), we reviewed the appellant's principal argument—whether a New York statute was preempted by the Employee Retirement Income Security Act—though the appellant had not challenged the state statute in the district court. In support of

this deviation from the general rule against considering an issue not objected to in the trial court, we said that "[b]ecause the district court examined the issue of relationship in some detail and because that court's decision has broad legal ramifications and concerns the validity of a State statute," *id.* at 137, it was appropriate for review. Again, we found it significant that the parties also briefed and argued the preemption issue, and "the issue is solely one of law the determination of which could not be altered by appellee's producing additional evidence." *Id.* Thus, despite its language Rule 51 should not be applied inflexibly. What questions may be considered and decided for the first time on appeal are left primarily to our appellate discretion based on the circumstances of each individual case. *See Singleton v. Wulff*, 428 U.S. 106, 121 (1976).

Here, Judge Mishler addressed the propriety of awarding punitive damages for a violation of plaintiff's federal trademark rights, resting his decision—which has "broad legal ramifications"—on his impression of Second Circuit authority rather than on Rule 51 procedure. Further, the issue of whether punitive damages may be recovered for a Lanham Act violation was fully briefed and argued before us. And, significantly, no Supreme Court precedent governs this important question under § 35 of the Lanham Act, nor have we ruled on it. Finally, the resolution of these purely legal arguments will not require further proceedings on that point in the district court. Consequently, the circumstances of the instant case warrant an examination of the merits of this Lanham Act issue and "no interests in fair and effective trial administration advanced by Rule 51 would be served" by a refusal to reach it.

B. § 35 and Punitive Damages

Having overcome both initial obstacles, we turn to consider the central issue presented—whether the district court erred when it found that § 35 of the Lanham Act authorized the jury to award punitive damages against the defendants for willful infringement of the "Getty" mark. To decide this question requires an examination of the Lanham Act's language, its legislative history, and relevant case law.

1. *Statutory Language*

Analysis commences with § 35's plain language. "Statutory construction must begin with the language employed by Congress and the assumption that the ordinary meaning of that language accurately expresses the legislative purpose." *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 194 (1985) (construing Lanham Act provision). Moreover, "[a]bsent a clearly expressed legislative intention to the contrary, that language must ordinarily be regarded as conclusive." *Consumer Prod. Safety Comm'n v. GTE Sylvania, Inc.*, 447 U.S. 102, 108 (1980).

Section 35 of the Lanham Act provides

> When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, . . . subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. . . . In assessing damages the court may enter judgment, according to the circumstances of the case, for any

> sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

15 U.S.C. § 1117(a) (Supp. IV 1986).

As can be seen, three nonexclusive monetary remedies are provided: recovery of defendant's profits, of any damages sustained by plaintiff, or of the costs of the action. Unlimited enhancement or reduction of an award based on defendant's profits is permitted in order to correct inadequacy or excessiveness. Where—as here—the recovery is based on the plaintiff's damages, the court—not the jury—may enhance the award up to three times the amount of actual damages. Such enhancement functions as "compensation *and not a penalty*." (emphasis supplied).

No mention of punitive damages is made in this comprehensive statutory recovery scheme for infringement of a registered mark. Drawing from the statute's plain language, it is apparent that Congress did not allow for punitive damages as a remedy for holders of infringed marks. Nevertheless, the legislative history must be carefully plumbed to see if a congressional purpose contrary to that reading of the statutory language may be ascertained.

2. *Legislative History*

The legislation ultimately enacted as the Lanham Act or Trademark Act of 1946, Pub. L. No. 79-489, 60 Stat. 427 (1946) (codified as amended at 15 U.S.C. §§ 1051-1127 (1982 & Supp. IV 1986)), was conceived at a 1920 meeting of the American Bar Association's Patent Section. *See* J. McCarthy, 1 *Trademarks and Unfair Competition* § 5:4 (2d ed. 1984). In 1921 an A.B.A. committee formed by the Patent Section returned a draft of the bill—proposed to Congress first as the "Ernst Bill," then as the "Vestal Bill"—designed to revise the already inadequate Trademark Act of 1905, Pub. L. No. 58-84, 33 Stat. 724 (1905) (1905 Act). Both of these bills were the subject of congressional hearings and revisions until 1937. *See* 1 J. McCarthy, *supra*, at § 5:4; Koelemay, *Monetary Relief for Trademark Infringement Under the Lanham Act*, 72 Trademark Rep. 458, 481 (1982). In 1938, Congressman Lanham introduced a new bill largely based on the notes of A.B.A. trademark committee member Edward Rogers. *See* Rogers, *The Lanham Act & the Social Function of Trademarks*, 14 Law & Contemp. Probs. 173, 180 (1949). After a number of revisions, a draft finally met with the approval of both Houses of Congress and the Lanham Act was signed into law on July 5, 1946.

(a) The 1905 Act

A brief review of the background of the 1905 Act is helpful. Consistent with the merger of law and equity, § 35 of the Lanham Act, currently 15 U.S.C. § 1117(a), incorporated § 16 from the 1905 Act, 33 Stat. 728 (remedy at law for registered trademark infringement), as well as § 19, 33 Stat. 729 (remedy in equity). Both § 16 and § 19

of the 1905 Act gave the district court discretion to increase an award of actual damages up to three times its amount. In addition § 19 allowed for recovery in equity based on an infringer's profits Section 35 of the Lanham Act echoes these earlier recovery provisions. Significantly, neither § 16 nor § 19 contained provisions for punitive damages.

Although the patent law models for the 1905 Act authorized increased damages as a punitive concept, *see* Koelemay, *supra*, at 479-80, there is evidence that the 1905 Act's discretionary enhancement provision was remedial rather than punitive in nature. As the House Report on the 1905 Act explains, enhancement was partly justified by the difficulty of proving actual damages. The provision was

> new in the law of trade-marks. Similar provisions exist in the copyright and patent laws . . . . The difficulty of proving exact damages in cases of this character is well understood. . . . [T]he Government, which has made provision for the registration of trade-marks, should accord to the owners thereof . . . full and complete redress for violation of their rights.

H.R. Rep. No. 3147, 58th Cong., 3d Sess. 9 (1904); *see* S. Rep. No. 3278, 58th Cong., 3d Sess. 10 (1905) (same language).

The 1905 Act's enhancement provision—substantially repeated in § 35 of the Lanham Act—was included to enable courts to redress fully plaintiffs whose actual damages were difficult to prove. When the enhancement provisions of the 1905 Act were transported into § 35 of the Lanham Act they carried with them the same conceptual baggage, that is to say, of being remedial and not punitive in nature. Further, at the time of the Lanham Act's pas-

sage, there were no reported cases in which judges had exercised their discretionary power to increase actual damages under § 16 or § 19 of the 1905 Act. *See* 2 J. McCarthy, *supra*, at § 30:28(B). Thus, the 1905 Act's language, history, and judicial construction give no affirmative indication that when Congress enacted § 35 of the Lanham Act—basing its recovery scheme in part on the 1905 Act—it aimed to furnish punitive damages as a remedy.

(b) § 35 of the Lanham Act

The drafters of § 35 of the Lanham Act embellished upon the 1905 Act's recovery provisions in two significant ways. First, added to the provisions for increasing recovery was the caveat that a court's enhancement of a damage award or adjustment of profits awarded "shall constitute compensation and not a penalty." Second, all monetary recovery under § 35 is "subject to the principles of equity." The legislative history of these two embellishments argues strongly that it was Congress' purpose to preclude punitive damages as a remedy for trademark infringement.

The "compensation and not a penalty" clause borrows language from the Copyright Act of 1909, Pub. L. No. 60-349, § 25(b), 35 Stat. 1075, 1081 (1909), allowing for recovery of actual damages and actual profits from an infringer, in lieu of which a court could assess such sums, within limits, as appeared to be just so long as the discretionary award was "not . . . regarded as a penalty." That phrase of the Copyright Act codified the Supreme Court's result in *Brady v. Daly*, 175 U.S. 148 (1899); *see* Koelemay, *supra*, at 521-23. The Court held in *Brady* that the imposition by statute of a mandatory minimum award for

copyright infringement constituted neither penalty nor forfeiture. 175 U.S. at 154-55; *see L.A. Westermann Co. v. Dispatch Printing Co.*, 249 U.S. 100, 107-09 (1919). The minimum recovery, the Court continued, "does not change the character of the statute and render it a penal instead of a remedial one." *Brady*, 175 U.S. at 154. A.B.A. committee member Rogers referred to the *Brady* decision during joint hearings on the trademark bill in response to an inquiry on the effect of the "compensation and not a penalty" clause. *Registration of Trade-marks: Joint Hearings on S. 2679 Before the House and Senate Comms. on Patents*, 68th Cong., 2d Sess. 48 (1925) [hereinafter *1925 Hearings*]; *see* Koelemay, *supra*, at 523 & n.385. Hence, the 1909 Copyright Act's damages provision was construed at the time the Lanham Act was under consideration as a compensatory measure and not as a punitive measure. *See* Koelemay, *supra*, at 523; *see also Davilla v. Brunswick-Balke Collender Co.*, 94 F.2d 567, 570 (2d Cir.), *cert. denied*, 304 U.S. 572 (1938).

During the 1925 joint hearings on the draft of an early trademark bill, Rogers contrasted the 1905 Act's treble damages provision with a proposed provision that would give courts discretion to raise or lower awards of damages and profits

> [The 1905 Act's trebling provision] seems to me to be useless, and anything more than proper compensation, an artificial increase, is in the nature of a penalty. So it seems to us better to give the court discretion to award the damages which under all the circumstances of the case seemed to be just, rather than arbitrarily fix treble damages . . . .

1925 Hearings, *supra*, at 48 (testimony of Edward Rogers).

Concern that a trial court's discretion to increase a monetary award might serve as a punitive instead of remedial function was again manifested during hearings in 1941 before the Subcommittee on Trademarks of the House Committee on Patents. When the discussion focused on the provision for adjusting inadequate or excessive recovery based on profits, Mr. Fenning (of the United States Patent Quarterly) worried aloud that despite the "compensation and not a penalty" clause and the requirement that courts consider the circumstances of each case, the provision might allow unlimited recovery. Under this provision, he stated, "if [a judge] thinks the [infringer] has done a bad thing, the court can fine him in any sum he wants to." *Trade-marks: Hearings on H.R. 102, H.R. 5461, and S. 895 Before the Subcomm. on Trade-marks of the House Comm. on Patents*, 77th Cong., 1st Sess. 203 (1941) [hereinafter *1941 Hearings*]. Representative Lanham agreed, stating that "[t]here should be some limitation." *Id.* But Rogers emphasized that the provision to increase or decrease recovery based on an infringer's profits was simply a recognition of the problems of proof facing plaintiffs and that if the amount proven is inadequate, "a reasonable sum in the way of ordinary damages ought to be awarded." *Id.* at 205. Reacting to the suggestion that a plaintiff receive as recovery of defendant's profits an amount exceeding defendant's total sales, Rogers further stated, "You are going to have a penalty there, and you do not want to do it." *Id.* Thus, Congress' insertion of the "compensation and not a penalty clause" supports a reading of § 35 that would preclude punitive damages.

The Lanham Act's second embellishment on the recovery provisions of the 1905 Act is the requirement that all monetary recovery under § 35 be "subject to the principles

of equity." This language was added in the final draft of the Lanham bill introduced in 1945 and enacted in 1946. H.R. 1654, 79th Cong., 2d Sess. (1946); *see* Koelemay, *supra*, at 485. The only explanation for the phrase is found in a 1941 letter to Representative Lanham. *See* Koelemay, *supra*, at 485. "[I]t seems clear," the letter explains, "that the normal principles of equity in respect of allowance of and defenses to an accounting of profits and the recovery of damages are not affected by this bill." *1941 Hearings*, *supra*, at 228 (letter from Milton Handler). Therefore, the writer recommends inserting "according to the principles of equity" in the first sentence of what became § 35 in order "to effectuate the intentions of the draftsmen." *Id.* Although this letter, in suggesting the addition of the words "according to the principles of equity," obviously does not evince a congressional purpose with respect to punitive damages, it is at least plain that absent express statutory authority, punitive damages are not ordinarily recoverable in equity. *See* Koelemay, *supra*, at 520; *see also Coca-Cola Co. v. Dixi-Cola Labs.*, 155 F.2d 59, 63 (4th Cir.), *cert. denied*, 329 U.S. 773 (1946). *Cf. Livingston v. Woodworth*, 56 U.S. (15 How.) 546, 559-60 (1854) (reversing punitive award for patent infringement because award based on "chastisement" was contrary to "well-established rules of equity jurisprudence").

Some years ago we construed § 35's phrase "subject to the principles of equity" to preclude any monetary relief " 'where an injunction will satisfy the equities of the case' and where 'there has been no showing of fraud or palming off.' " *Carl Zeiss Stiftung v. VEB Carl Zeiss Jena*, 433 F.2d 686, 706-07 (2d Cir. 1970) (quoting *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 131 (1947)), *cert. denied*, 403 U.S. 905 (1971). Thus, making recovery under § 35 subject to principles of equity scarcely can be used to

support the imposition of punitive damages. Review of § 35 of the Lanham Act's legislative history consequently does not raise any doubt regarding our earlier conclusion based on reading the plain language of the Act. Neither the Lanham Act's antecedent—the 1905 Act—nor its embellishments in the context of monetary recovery evidence any congressional purpose to authorize punitive damages.

3. *Relevant Caselaw*

We conclude analysis of § 35 of the Lanham Act with a review of relevant caselaw. Although not on all fours with the instant matter, the Supreme Court's reasoning in *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714 (1967), sheds considerable light on the availability of punitive damages under § 35. In *Fleischmann*, the Court ruled that federal courts lacked power to award reasonable attorney fees even when a plaintiff established deliberate infringement of its trademark because at that time § 35's enumeration of available compensatory remedies did not include such an award. *Id.* at 721. Eight years later Congress amended § 35 by adding that "The court in exceptional cases may award reasonable attorney fees to the prevailing party." Pub. L. No. 93-600, 88 Stat. 1955 (1975), *reprinted in* 1974 U.S. Code Cong. & Admin. News 2260 (codified at 15 U.S.C. § 1117(a) (Supp. IV 1986)).

The reasoning of *Fleischmann* began with recognition of the general rule that "attorney's fees are not ordinarily recoverable". *Id.* at 717. Exceptions to the so-called "American" rule, the Court explained, were not developed in the context of statutory causes of action—such as trademark actions under the Lanham Act—"for which the

legislature had prescribed intricate remedies." *Id.* at 719 (noting Lanham Act's provisions for injunctive relief and compensatory relief measured by defendant's profits, plaintiff's damages, and costs of the action). "When a cause of action has been created by a statute which expressly provides the remedies for vindication of the cause," the Court continued, "other remedies should not readily be implied." *Id.* at 720. Because several attempts to provide for recovery of attorney fees in the Lanham Act had failed, the Court concluded that "Congress intended § 35 of the Lanham Act to mark the boundaries of the power to award monetary relief in cases arising under the Act. A judicially created compensatory remedy in addition to the express statutory remedies is inappropriate in this context." *Id.* at 721.

Even though *Fleischmann*'s holding ruled out a different compensatory remedy—attorney fees—than the one under consideration, the same reasoning, we think, bars a separate recovery of punitive damages for infringement. *See* Koelemay, *supra*, at 519 & n.354 (holding in *Fleischmann* "would seem by clear analogy to foreclose an implied remedy of punitive damages"); *see also* 2 J. McCarthy, *supra*, at § 30:29(B). Further, to imply a punitive damages award for trademark infringement would inappropriately add a remedy Congress could have—but did not—include in its intricate and comprehensive recovery scheme. Instead, it intended § 35 to "mark the boundaries of the power to award monetary relief in cases arising under the Act" and, as discussed above, such monetary relief was meant to be remedial, not punitive, in nature.

Decisions from sister circuits support the view that *Fleischmann* bars an award of punitive damages under § 35. *See Metric & Multistandard Components Corp. v.*

Metric's, Inc., 635 F.2d 710, 715-16 (8th Cir. 1980) (rejecting plaintiff's argument for common law remedies for violations of § 43(a) of the Lanham Act: *Fleischmann* is "broad enough to suggest that section 35 is the exclusive provision for monetary damages for the entire Act"); *Electronics Corp. v. Honeywell, Inc.*, 487 F.2d 513 (1st Cir. 1973) (per curiam) (upholding district court holding that plaintiff not entitled to punitive damages under the Lanham Act based on *Fleischmann*, its reading of § 35, and the absence of judicial authority for such award), *aff'g* 358 F. Supp. 1230 (D. Mass. 1973), *cert. denied*, 415 U.S. 960 (1974); *see also Caesars World, Inc. v. Venus Lounge, Inc.*, 520 F.2d 269, 274 (3d Cir. 1975) (striking an award of punitive damages in reliance on district court's holding in *Electronics*).

We are unpersuaded by the district court's reference to two other circuits as having approved punitive damages as a Lanham Act remedy. Neither of those decisions discusses the availability of punitive damages under § 35 and, in fact, the punitive damages awards in both cases were authorized under state law. *Transgo, Inc. v. Ajac Transmission Parts Corp.*, 768 F.2d 1001, 1024 (9th Cir. 1985) (California law authorized punitive damages), *cert. denied*, 474 U.S. 1059 (1986); *Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co.*, 561 F.2d 1365, 1374-76 (10th Cir. 1977) (Colorado law allows such damages), *cert. dismissed*, 434 U.S. 1052 (1978).

Finally, plaintiff's argument, relying on *Quaker State Oil Ref. Corp. v. Kooltone, Inc.*, 649 F.2d 94 (2d Cir. 1981), that we have already approved recovery of punitive damages under § 35 is misplaced. In *Quaker State*, the district court did not question its power to award punitive damages for federal trademark infringement, and appel-

lants failed to challenge that power on appeal. In disagreeing with appellants' argument that "the trial judge erred in submitting to the jury the issue of punitive damages, because appellants were . . . given no notice that Quaker State sought such damages," *id.* at 95, we rested our decision affirming the imposition of punitive damages on a reading of the complaint and appellants' failure to object to the jury instruction, *id.* at 95-96, thus assuming *sub silentio* the availability of punitive damages. This kind of assumption has no precedential value, as we shall explain.

Recently, we reaffirmed the precept that not every aspect of each opinion has precedential force. In *Korwek v. Hunt*, 827 F.2d 874, 877 (2d Cir. 1987), for example, we stated that in a previous opinion, "[n]either the district court nor this Court addressed [the question currently appealed]. The issue never was briefed, argued, or decided." The earlier panel had assumed *sub silentio* a resolution of the issue. In *Korwek* we noted that a *sub silentio* holding is " 'not binding precedent.' " *Id.* (quoting *Brooks v. Flagg Bros.*, 553 F.2d 764, 774 (2d Cir. 1977), *rev'd on other grounds*, 436 U.S 149 (1978)). Thus, inasmuch as the punitive damages issue was not briefed, argued or addressed by the *Quaker State* panel, we are not constrained by it to affirm the instant award.

In sum, we hold that § 35 of the Lanham Act does not authorize an additional award of punitive damages for willful infringement of a registered trademark. So long as its purpose is to compensate a plaintiff for its actual injuries—even though the award is designed to deter wrongful conduct—the Lanham Act remains remedial. Obviously such ruling should not be read as an incentive for deliberate trademark infringement. To the extent that deterrence of willful infringement is needed, the statuto-

rily provided remedies of § 35 are sufficient: a district court is empowered to enhance a monetary recovery of damages or profits, *e.g.*, *Deering, Milliken & Co. v. Gilbert*, 269 F.2d 191, 194 (2d Cir. 1959), or to award plaintiff a full accounting of an infringer's profits, *e.g.*, *Spring Mills, Inc. v. Ultracashmere House, Ltd.*, 724 F.2d 352, 356 (2d Cir. 1983); *W.E. Bassett Co. v. Revlon, Inc.*, 435 F.2d 656, 664 (2d Cir. 1970).

II *The Award of Attorney Fees*

As mentioned above, § 35 of the Lanham Act now provides that "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." 15 U.S.C. § 1117(a) (Supp. IV 1986). Based on the jury's finding that defendants infringed Getty Petroleum's trademark rights "willfully, intentionally and with a callous and reckless disregard" for Getty Petroleum's rights, the district court in its September 2, 1987 decision and order considered this an "exceptional" case within the meaning of § 35 and granted Getty Petroleum's application for attorney fees. Appellants do not challenge the district court's power and discretion to award attorney fees in this case, but they argue that the amount of the fee award is too high on several grounds.

Appellants contend initially that the district court erred by computing the attorney fees award based on Getty Petroleum's counsel's usual billing rate, which the trial court considered reasonable. Instead, appellants argue, the award should be limited to the hourly rate that Getty Petroleum was actually charged under its special billing arrangement with counsel. In awarding fees according to plaintiff counsel's usual rate, the district court rejected the reasoning of *Jewish Employment & Vocational Service v.*

Pleasantville Educ. Supply Corp., 601 F. Supp. 224 (E.D. Pa. 1983). In that case, counsel in a trademark infringement action had agreed to bill the plaintiff at one-half its usual rate, "but would seek to recover fees at the full rate in which event the client would receive the excess." *Id.* at 225. The district court cut the plaintiff's fee request in half because it considered § 35's provision for attorney fees compensatory, not as a source for a windfall for plaintiff. *Id.*

Judge Mishler properly refused to follow *Jewish Employment*. While agreeing that the plaintiff should not profit by an award of attorney fees, the district judge also noted that the defendants—who acted willfully—should not benefit by the agreement between plaintiff and counsel. In the instant case—unlike *Jewish Employment*—the excess fee award is for counsel, not the plaintiff. Awarding reasonable fees to plaintiff's counsel accords with the statute and results in no benefit to plaintiff, whereas an award based on the special arrangement would result in a windfall to the appellants as wrongdoers, who would pay less. Thus, Judge Mishler properly awarded reasonable attorney fees based on counsel's usual billing rates.

Appellants next argue that plaintiff's attorney fees application reflected no attempt by counsel to "trim the fat," and that when computing reasonable attorney fees, the district court failed to consider the conduct of certain codefendants which prolonged the litigation and, further, that it improperly imposed the award jointly and severally against all defendants rather than apportioning the fees among the defendants. These matters fall well within the district court's discretion, and absent evidence of its abuse, not demonstrated here, we see no reason to disturb the award.

Finally, appellants assert that if punitive damages are not available under the Lanham Act, plaintiff's attorney fees and disbursements incurred at the second trial on the punitive damages issue should be disallowed. Footnote 2 of the district court's September 2, 1987 decision and order apparently supports this position. There the district judge commented, "we assume for this [attorney fees] application that punitive damages are recoverable and therefore Getty may recover the reasonable value of attorney's fees in sustaining its position. If it turns out otherwise, the award will be adjusted downward to eliminate that cost." Because it "turns out" that punitive damages are not available under § 35 of the Lanham Act, we remand to the district court to consider whether an adjustment of the attorney fees award is appropriate.

III *The Compensatory Damages Award*

Section 35 of the Lanham Act also provides that the district court may, in its discretion, enhance a damages award up to three times the sum found as actual damages, "according to the circumstances of the case." After the first jury verdict, Getty Petroleum's counsel moved for the court to enhance the jury's compensatory damages award pursuant to § 35. The district court summarily denied the motion in its June 22, 1987 decision and order, but it appears from transcripts in the record that the availability and size of the punitive damages award influenced the trial court's decision not to increase the compensatory damages award.

Getty Petroleum contends in its cross-appeal that the district court abused its discretion in denying the motion for enhancement. We need not consider this argument because we believe—and appellants concede—that it is

appropriate to remand the statutory enhancement question in light of our decision to disallow recovery for punitive damages. As noted, enhancing the monetary recovery of damages or profits may serve to deter willful infringement. *E.g., Deering, Milliken & Co.*, 269 F.2d at 194. Accordingly, the case is remanded to the district court for reconsideration of its decision to deny plaintiff's motion for enhancement of the compensatory damages award. Of course, the district court has wide discretion in this matter.

CONCLUSION

For the reasons stated we affirm the finding that the appellants infringed plaintiff's trademark and the award of compensatory damages. We reverse the award of punitive damages under § 35 of the Lanham Act, and remand the case to the district court for it to determine the proper award of attorney fees and to reconsider plaintiff's motion for enhancement of the compensatory damages award in accordance with this opinion.

In light of this holding, we need not address plaintiff's cross-appeal from the order vacating the first jury's punitive damages award on the basis of excessiveness, nor need we consider appellants' arguments that the district court erred by denying their motions for a j.n.o.v. or a remittitur as to punitive damages following the second jury verdict, or that they were prejudiced by the punitive damages charge, by the method used to calculate punitive damages, and by the disproportionate size of the punitive damages award.

Appellants' request for their own attorney fees from plaintiffs respecting the second trial and on this appeal is frivolous, as is appellants' suggestion that the district

court abused its discretion by permanently enjoining their infringement of plaintiff's trademark.

Any further appeals in this matter will be heard by this panel.

Affirmed in part, reversed in part and remanded.

APPENDIX B

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK
----------X
GETTY PETROLEUM CORP.,

Plaintiff, CV 86-0246

-v-

BARTCO PETROLEUM CORP., NICHOLAS J. BARTOLOMEO, MIRACLE PETROLEUM CORP., PRUGIG REALTY CORP., ANTHONY GOLIO, PETER CIORCIARI, LENA PETROLEUM CORP., A.E.N. TRUCKING CORP., PATRICK O'REILLY, PADDY O'S SERVICE INC., and DANIEL J. FEIGENBAUM,

Defendants.

Memorandum of Decision and Order

June 22, 1987

----------X

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MISHLER, District Judge

Plaintiff, Getty Petroleum Corp. ("Getty") moves to increase the jury awards based on loss of profits

pursuant to section 35 of the Lanham Act, 15 U.S.C. §1117. Defendants move for judgment notwithstanding the verdict (n.o.v.) pursuant to Rule 50(b), Fed.R.Civ.P., and, alternatively, for a new trial on the issue of punitive damages pursuant to Rule 59 on the ground that the punitive damages awarded by the jury are grossly excessive. 1/ The jury awarded Getty a total of $107,579.75 in compensatory damages and $9,225,000 in punitive damages. (See attached Special Verdict Form). 15 U.S.C. § 1117(a) provides in pertinent part:

> When a violation of any right . . . shall have been established . . . the plaintiff shall be entitled . . . subject to principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. . . . If the court shall find that the amount of the recovery based

> on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty.

Punitive Damages Under the Lanham Act

In Metric & Multistandard Components Corp. v. Metric's Inc., 635 F.2d 710, 716 (8th Cir. 1980), the court, citing Fleischmann Distilling Corp. v. Maier Brewing Co., 386 U.S. 714, 720-21, 87 S. Ct. 1404, 1408-09 (1967), 2/ held that punitive damages were not available for claims asserted under the Lanham Act, but that "the district court has broad discretion to fashion a just remedy consistent with section 35, including treble damages." To the same effect see Caesars World, Inc. v. Venus Lounge, Inc., 520 F.2d

269, 274 (3rd Cir. 1975); Electronics Corp. v. Honeywell, Inc., 358 F. Supp. 1230, 1234-35 (D. Mass.), aff'd, 487 F.2d 513 (1st Cir. 1973), cert. denied, 415 U.S. 960, 94 S. Ct. 1491 (1974); American Express Co. v. Lipscomb, 210 U.S.P.Q. 827 (E.D. Mich. 1981); Cargo Safe, Inc. v. Bruest Industries, Inc., 200 U.S.P.Q. 445 (D. Kan. 1976).

In Quaker State Oil Refining Corp. v. Kooltone, Inc., 649 F.2d 94 (2d Cir. 1981), the jury awarded compensatory damages based on lost profits in the amount of $30,000 and punitive damages in the amount of $55,000. The court noted that "the complaint . . . [made] clear that more than single compensatory damages [were] sought." Id. at 96. The district court in Quaker State had not

increased the compensatory damages under section 35. Though the complaint apparently sought only increased compensatory damages under section 35, the jury awarded punitive damages under the district court's instruction. We interpret Quaker State Oil Refining Corp. as approving punitive damages as a remedy under the Lanham Act. To the same effect see Transgo, Inc. v. Ajac Transmission Parts Corp., 768 F.2d 1001, 1024-25 (9th Cir. 1985), cert. denied, ___ U.S. ___, 106 S. Ct. 802 (1986); Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co., 561 F.2d 1365, 1374-76 (10th Cir. 1977).

We turn to the question of the excessiveness of the punitive damage award. The purpose of punitive damages is to deter defendant and

others from violating the plaintiff's trademark rights. See Zarcone v. Perry, 572 F.2d 52, 55 n. 6 (2d Cir. 1978). In a case such as this where the violation of the plaintiff's right results in the consuming public being deceived, the right to punitive damages has further support. See Aldrich v. Thomson McKinnon Securities, Inc., 756 F.2d 243, 248 (2d Cir. 1985). However, the amount of the award should be such as to fulfill its purpose "without causing financial ruin" to the wrongdoers. Transgo, Inc. v. Ajac Transmission Parts Corp., supra, 768 F.2d at 1025. We find the punitive damage awards against Bartco, Bartolomeo and Golio are "so high as to shock the judicial conscience and constitute a denial of justice." Zarcone v. Perry, supra, 572 F.2d at

56.

We find that a punitive damage award of $350,000 against Bartco Petroleum Corp. and Nicholas J. Bartolomeo jointly, and an award of $150,000 against Anthony Golio will serve the purpose for which punitive damages are designed. 3/

The motion to vacate the verdict as it assesses punitive damages against Bartco Petroleum Corp., Nicholas J. Bartolomeo and Anthony Golio is granted unless the plaintiff Getty Petroleum Corp. agrees to reduce the punitive damage awards to the sum of $350,000 against Bartco Petroleum Corp. and Nicholas J. Bartolomeo jointly and to the sum of $150,000 against Anthony Golio. If Getty fails to consent to this reduction in writing within ten (10) days, a new

trial is ordered solely on the amount of punitive damages to be assessed against Bartco Petroleum Corp., Nicholas J. Bartolomeo and Anthony Golio.

The special verdict did not present the issue of Prugig Realty Corp. as an infringer of the trademark. It was therefore improper to assess punitive damages against Prugig Realty Corp., and, therefore, the award of punitive damages against Prugig Realty Corp. is vacated.

We find the punitive damage awards against the remaining defendants, Miracle Petroleum Corp., Lena Petroleum Corp. and A./E.N. Trucking Corp., Patrick O'Reilly and Paddy O's Service Inc., and Daniel J. Feigenbaum, are not excessive. Accordingly, we decline to vacate the

punitive damage awards against these defendants.

Getty's motion to increase compensatory damages pursuant to § 1117 is denied.

SO ORDERED

S/

U. S. D. J.

FOOTNOTES

1/ The court denied all motions directed to the verdict at the time it was rendered, reserving decision only on these issues. A copy of the special verdict is appended.

2/ The Supreme Court in Fleischmann Distilling Corp., 386 U.S. at 720-21, 87 S. Ct. at 1408-09, held:

> When a cause of action has been created by a statute which expressly provides the remedies for vindication of the cause, other remedies should not be readily implied. . . . Congress intended § 35 of the Lanham Act to mark the boundaries of the power to award monetary relief in cases arising under the Act.

3/ See Smith v. Wade, 461 U.S. 30, 58-59, 103 S. Ct. 1625, 1691 (1983) (Rehnquist, J., dissenting).

APPENDIX C

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK
----------X
GETTY PETROLEUM CORP.,

Plaintiff, CV 86-0246

-v-

BARTCO PETROLEUM CORP., NICHOLAS J. BARTOLOMEO, MIRACLE PETROLEUM CORP., PRUGIG REALTY CORP., ANTHONY GOLIO, PETER CIORCIARI, LENA PETROLEUM CORP., A.E.M. TRUCKING CORP., PATRICK O'REILLY, PADDY O's SERVICE INC., and DANIEL J. FEIGENBAUM,

Memorandum of Decision and Order

August 25, 1987

Defendants.
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MISHLER, District Judge

Defendants Bartco Petroleum Corp., Nicholas J. Bartolomeo and

Anthony Golio move for (1) judgment notwithstanding the verdict or, alternatively, a remittitur, with respect to punitive damages, (2) amendment of the judgment entered on July 16, 1987 vacating the permanent injunction entered against them, and (3) to stay execution and enforcement of the judgment pending appeal. 1/

I. The Award of Punitive Damages

This court, in a prior memorandum of decision, pointed to the apparent conflict among the circuits on the question of the plaintiff's right to punitive damages in a trademark infringement case. Getty Petroleum Corp. v. Bartco Petroleum Corp., No. CV 86-0246, slip op. at 3-5 (E.D.N.Y. June 22, 1987) (unpublished Memorandum of Decision and Order). We felt bound

by the Second Circuit's decision in Quaker State Oil Refining Corp. v. Kooltone, Inc., 649 F.2d 94 (2d Cir. 1981), and held that the plaintiff, Getty Petroleum Corp. ("Getty"), could recover punitive damages from the defendants under the Lanham Act., 15 U.S.C. § 1117.

The motion to vacate the punitive damage award on the ground that Getty is limited to the relief explicitly provided in 15 U.S.C. § 1117 is, therefore, denied.

The defendants' motion alternatively seeks to vacate the punitive damage award on the ground of excessiveness based in part on the court's offer of a remittitur in our decision of June 22, 1987 following the first jury verdict on punitive damages. Based on the record then before the

court, we held the amount of the punitive damage award was excessive, and granted defendants' motion to vacate the punitive damage awards against them unless Getty agreed to reduce the punitive damage awards against Bartco and Bartolomeo to $350,000 jointly and against Golio to $150,000. Getty declined our offer of a remittitur. 2/ The second trial on the issue of punitive damages showed that Bartolomeo has net assets valued at more than $11 million dollars. We find the award of punitive damages of $1,833,000 against Bartco and Bartolomeo, and $172,000 against Golio is not excessive. The offer of a remittitur to Getty as an alternative to setting aside the award is therefore inappropriate. The motion is

therefore denied on the alternate ground asserted.

II. Motion to Vacate the Permanent Injunction

Briefly stated, the permanent injunction enjoins Bartolomeo, Bartco and Golio from infringing Getty's trademark. Bartco and Bartolomeo correctly assert that the injunctive provision contained in the judgment must be accompanied by findings of fact under Rule 52(a), Fed.R.Civ.P. 3/

3/ Rule 52(a), Fed.R.Civ.P., provides in pertinent part:

> In all actions tried upon the facts without a jury or with an advisory jury, the court shall find the facts specially and state separately its conclusions of law thereon . . . ; and in granting or refusing interlocutory injunctions the court shall similarly set forth the findings of fact and conclusions of law

> which constitute the grounds of its action.

The Rule requires fact findings by the court in two situations: "In all actions tried upon the facts without a jury or with an advisory jury," and "in granting or refusing interlocutory injunctions." "A permanent injunction, when issues of fact determine whether or not it should be granted, comes within the quoted scope of Rule 52." Hook v. Hook & Ackerman, Inc., 213 F.2d 122, 130 (3d Cir. 1954). See Securities and Exchange Commission v. Management Dynamics, Inc., 515 F.2d 801, 814 (2d Cir. 1975); Alberti v. Cruise, 383 F.2d 268, 271 (4th Cir. 1967); Chas. Pfizer & Co. v. Zenith Laboratories, Inc., 339 F.2d 429, 430 (3d Cir. 1964); 9 C. Wright & A. Miller, Federal Practice and Procedure § 2576, at 696 (1971).

A permanent injunction may be entered by the district court in the exercise of its discretion only "upon a finding of the likelihood that the defendant would commit future violations if not enjoined." Securities and Exchange Commission v. Management Dynamics, Inc., supra, 515 F.2d at 814.

The jury found that Bartco and Bartolomeo infringed the Getty trademark during the period February 1, 1985 to April 3, 1986. The evidence showed that Bartolomeo has an interest in corporations franchising gasoline service stations that sell gasoline at retail under the trade-name Petro King and Metro. Bartolomeo disclaims any interest in any entity distributing gasoline to service stations. Getty has established a violation of its

trademark over a period from February 1, 1985 to April 3, 1986, irreparable injury to Getty and a fraud upon the public. The fact that Bartolomeo is not in the business of supplying gasoline stations with unbranded gasoline at the present time does not remove the threat of his engaging in this activity in the future. He has the experience in selling unbranded gasoline and the financial capability. The threat is present. Getty is entitled to a permanent injunction prohibiting Bartolomeo from infringing Getty's trademark and from selling unbranded unleaded gasoline to Getty gasoline service stations. See Transgo, Inc. v. Ajac Trasmission Parts Corp., 768 F.2d 1001, 1022 (9th Cir. 1985), cert. denied, ___ U.S. ___, 106 S. Ct. 802 (1986); Spring

Mills, Inc. v. Ultracashmere House, Ltd., 724 F.2d 352, 355 (2d Cir. 1983).

The motion to vacate the provisions in the judgment permanently enjoining Bartco and Bartolomeo from infringing the Getty trademark is denied.

III. The Motion to Stay Execution

Defendants Bartco, Bartolomeo, and Golio seek an order staying execution and enforcement of the judgment without posting a supersedeas bond. Alternatively, Bartco and Bartolomeo seek to stay execution and enforcement of the judgment by providing substitute security in the form presented to the court in a letter from counsel dated August 11, 1987. Defendants argue that the standard set forth in the Supreme Court's decision

in Hilton v. Braunskill, ___ U.S. ___, 107 S. Ct. 2113, 2119 (1987), governs their motion for a stay of execution pending appeal. In Hilton, the Supreme Court summarized the factors regulating the issuance of a stay of an order pending appeal as follows:

> (1) whether the stay applicant has made a strong showing that he is likely to succeed on the merits;
> (2) whether the applicant will be irreparably injured absent a stay;
> (3) whether issuance of the stay will substantially injure the other parties interested in the proceeding; and
> (4) where the public interest lies.

Hilton involved the State of New Jersey's application for a stay of the district court's order directing that a petition for a writ of habeas corpus be granted unless the state granted the petitioner a new trial within 30

days. These factors are viewed somewhat differently, however, where the stay is sought to prevent execution against the defendants' assets, as in the instant case. "The purpose of the supersedeas bond is to secure the [plaintiff] from loss resulting from the stay of execution." Federal Prescription Service, Inc. v. American Pharmaceutical Association, 636 F.2d 755, 760 (D.C. Cir. 1980). See Poplar Grove Planting and Refining Co. v. Bache Halsey Stuart, Inc., 600 F.2d 1189, 1190-91 (5th Cir. 1979).

The judgment debtor bears the burden of proving the inability of procuring a supersedeas bond. Id. at 1191. Bartolomeo bases his right to a stay without posting security on the claimed error of this court in interpreting Quaker State Oil Refining

Corp. v. Kooltone, Inc., supra, 649 F.2d at 94, as authorizing the award of punitive damages in a Lanham Act case. Bartolomeo points out that the lion's share of the judgment obtained against him and Bartco represents punitive damages. We stand by our interpretation.

However, based on the affidavits submitted, we are convinced that Bartolomeo is unable to obtain a supersedeas bond for a substantial sum. It is unlikely that he can obtain a supersedeas bond for the full amount of the judgment or obtain a loan without impairing his ability to conduct his business.

In balancing the right of the judgment creditor to payment of the judgment sum against the possible irreparable injury to the judgment

debtor, see Texaco Inc. v. Pennzoil Co., 784 F.2d 1133, 1154 (2d Cir. 1986), rev'd on other grounds, ___ U.S. ___, 107 S. Ct. 1519 (1987), we consider the offer of the judgment debtor as an alternative to a supersedeas bond. It consists of:

(1) a mortgage on 15 parcels of real estate owned by Bartco, having an equity appraisal of over $2,185,000;

(2) a mortgage on the home in which Mr. and Mrs. Bartolomeo reside with a market (or current appraisal) value of $900,000 subject to a first mortgage lien of about $80,000;

(3) A supersedeas bond of $70,000.

In addition, Bartolomeo offers to pay the costs of 16 appraisals (by appraisers chosen by Getty), the mortgage tax and a legal fee totalling about $32,000.

The court finds that Bartolomeo's offer would fully secure Getty. See Texaco Inc. v. Pennzoil Co., supra, 784 F.2d at 1154-55.

We expect Bartolomeo to take all steps necessary to secure Getty in the manner offered. The stay of execution against the assets of Bartco and Bartolomeo will continue until Getty has received the security offered and has ascertained that the representations of value are substantially correct. Getty is granted leave to move to vacate or modify the stay if Bartolomeo delays giving the security

or the representations as to value are not substantially correct.

Nicholas J. Bartolomeo and Kathleen Bartolomeo, his wife,shall not individually or jointly transfer or encumber any interest in any of the assets they own without notice to Getty except as herein authorized or in the regular course of business.

Anthony Golio's motion for a stay of execution is denied. Golio has set forth his financial problems in detail in an affidavit dated July 26, 1987. Among other issues, it presents a question of his wife's interest in his assets under New York Dom. Rel. Law § 234 (Equitable Distribution). The affidavit shows that a stay would prejudice Getty's right to recover in that other creditors would be in a favored position.

ORDER

The defendants' motion for judgment notwithstanding the verdict, or, alternatively, a remittitur with respect to punitive damages is denied. Defendants' motion to vacate the permanent injunction entered on July 16, 1987 is denied. Defendant Golio's motion to stay execution and enforcement of the judgment entered on July 16, 1987 is denied. Defendants Bartco's and Bartolomeo's motion to stay execution of the judgment entered on July 16, 1987 is granted provided they supply Getty with the security described herein.

SO ORDERED

S/

U. S. D. J.

FOOTNOTES

1/ Bartco and Bartolomeo also challenge plaintiff's request for attorney's fees under 15 U.S.C. § 1117. The application for attorney's fees will be discussed in a separate memorandum.

2/ Plaintiff's counsel called upon the jury to put Bartolomeo out of business. The jury apparently responded to the call. It awarded punitive damages of $1,500,000 against Bartco, $3,000,000 against Bartolomeo, and $2,000,000 against Golio.

3/ Golio does not seek amendment by eliminating the injunction provisions. Bartco and Bartolomeo also complain of the failure of the court to give them ample opportunity to challenge the injunction. We fail to see how they are prejudiced.

APPENDIX D

EDNY
86-CV-0247
MISHLER

UNITED STATES COURT OF APPEALS
FOR THE
SECOND CIRCUIT

At a stated Term of the United States Court of Appeals for the Second Circuit, held at the United States Courthouse in the City of New York, on the twenty second day of September one thousand nine hundred and eighty eight.

Present: HON. EDWARD J. LUMBARD,
Senior Judge
HON. RICHARD J. CARDAMONE
HON. GEORGE C. PRATT

Circuit Judges,

Getty Petroleum Corp.,

Plaintiff-Appellee,
Cross-Appellant,

-v-

Docket Nos.
87-7668, 87-7674,
87-7770

BARTCO PETROLEUM CORP., NICHOLAS J. BARTOLOMEO, MIRACLE PETROLEUM CORP., PRUGIG REALTY CORP., ANTHONY GOLIO, PETER CIORCIARI, LENA PETROLEUM CORP., A.E.N. TRUCKING, CORP., PATRICK O'REILLY, PADDY O's SERVICE INC., and DANIEL J. FEIGENBAUM,

Defendants.

ANTHONY GOLIO, BARTCO PETROLEUM CORP., and NICHOLAS J. BARTOLOMEO,

Defendants-Appellants.
Cross-Appellees.

Nov. 29, 1988
ISSUED AS MANDATE:

Appeal from the United States District Court for the Eastern District of New York.

This cause came on to be heard on the transcript of record from the United States District Court for the Eastern District of New York, and was argued by counsel.

ON CONSIDERATION WHEREOF, it is now hereby ordered, adjudged and decreed that the judgment of said District Court be and it hereby is affirmed in part, reversed in part and remanded to the said district court for further proceedings in accordance with the opinion of this court.

ELAINE B. GOLDSMITH
Clerk

BY: S/_____
Edward J. Guardaro,
Deputy Clerk

A TRUE COPY
ELAINE B. GOLDSMITH, CLERK

BY: S/_____
Deputy Clerk

APPENDIX E

UNITED STATES COURT OF APPEALS
FOR THE
SECOND CIRCUIT

At a stated term of the United States Court of Appeals for the Second Circuit, held at the United States Courthouse, in the City of New York, on the fourteenth day of November, one thousand nine hundred and eighty-eight.

GETTY PETROLEUM CORP.,

Plaintiff-Appellee-
Cross Appellant

-v-

ANTHONY GOLIO, BARTCO PETROLEUM CORP. and NICHOLAS J. BARTOLOMEO,

Defendants-Appellant-
Cross Appellees.

Docket Number
87-7668
87-7674
87-7770

A petition for rehearing containing a suggestion that the action be reheard in banc having been filed herein by appellant, Bartco Petroleum

Upon consideration by the panel that heard the appeal, it is

Ordered that said petition for rehearing is DENIED.

It is further noted that the suggestion for rehearing in banc has been transmitted to the judges of the court in regular active service and to any other judge that heard the appeal and that no such judge has requested that a vote be taken thereon.

ELAINE B. GOLDSMITH
Clerk

BY: S/
Fred M. Cassidy,
Chief Deputy Clerk

APPENDIX F

§ 1114. Remedies; infringement; innocent infringement by printers and publishers

(1) Any person who shall, without the consent of the registrant--

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive.

shall be liable in a civil action by the registrant for the remedies

hereinafter provided. Under subsection (b) of this section, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

* * *

§ 1116. Injunctive relief

(a) Jurisdiction; service

The several courts vested with jurisdiction of civil actions arising under this chapter shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office. Any such injunction may include a provision directing the defendant to file with the court and serve on the plaintiff within thirty days after the service on the defendant of such injunction, or such extended period as the court may direct, a report in writing under oath setting forth in detail the manner and form in which the defendant has complied with the injunction. Any such injunction granted upon hearing, after notice to the defendant, by any district court of the United States, may be served on the parties against whom such injunction is granted anywhere in the United States where they may be found, and shall be operative

and may be enforced by proceedings to punish for contempt, or otherwise, by the court by which such injunction was granted, or by any other United States district court in whose jurisdiction the defendant may be fond.

(b) Transfer of certified copies of court papers

The said courts shall have jurisdiction to enforce said injunction, as provided in this chapter, as fully as if the injunction has been granted by the district court in which it is sought to be enforced. The clerk of the court or judge granting the injunction shall, when required to do so by the court before which application to enforce said injunction is made, transfer without delay to said court a certified copy of all papers on file in his office upon which said injunction was granted.

(c) Notice to Commissioner

It shall be the duty of the clerks of such courts within one month after the filing of any action, suit, or proceeding arising under the provisions of this chapter to give notice thereof in writing to the Commissioner setting forth in order so far as known the names and addresses of the litigants and the designating number or numbers of the registration or registrations upon which the action, suit, or proceeding has been brought, and in the event any

other registration be subsequently included in the action, suit, or proceeding by amendment, answer, or other pleading, the clerk shall give like notice thereof to the Commissioner, and within one month after the decision is rendered, appeal taken or a decree issued the clerk of the court shall give notice thereof to the Commissioner, and it shall be the duty of the Commissioner on receipt of such notice forthwith to endorse the same upon the file wrapper of the said registration or registrations and to incorporate the same as a part of the contents of said file wrapper.

(d) Civil actions arising out of use of counterfeit marks

(1)(A) In the case of a civil action arising under Section 1114(1)(a) of this title or section 380 of Title 36 with respect to a violation that consists of using a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services, the court may, upon ex parte application, grant an order under subsection (a) of this section pursuant to this subsection providing for the seizure of goods and counterfeit marks involved in such violation and the means of making such marks, and records, documenting the manufacture, sale, or receipt of things involved in such violation.

(B) As used in this subsection the term "counterfeit mark" means--

(i) a counterfeit of a mark that is registered on the principal register in the United States Patent and Trademark Office for such goods or services sold, offered for sale, or distributed and that is in use, whether or not the person against whom relief is sought knew such mark was so registered; or

(ii) a spurious designation that is identical with, or substantially indistinguishable from, a designation as to which the remedies of this chapter are made available by reason of section 380 of Title 36;

but such term does not include any mark or designation used in connection with goods or services of which the manufacture or producer was, at the time of the manufacture or production in question authorized to use the mark or designation for the type of goods or services so manufactured or produced, by the holder of the right to use such mark or designation.

(2) The court shall not receive an application under this subsection unless the applicant has given such notice of the application as is reasonable under the circumstances to the United States attorney for the judicial district in which such order

is sought. Such attorney may participate in the proceedings arising under such application if such proceedings may affect evidence of an offense against the United States. The court may deny such application if the court determines that the public interest in a potential prosecution so requires.

(3) The application for any order under this subsection shall--

(A) be based on an affidavit or the verified complaint establishing facts sufficient to support the findings of fact and conclusions of law required for such order; and

(B) contain the additional information required by paragraph (5) of this subsection to be set forth in such order.

(4) The court shall not grant such an application unless --

(a) The person obtaining an order under this subsection provides the security determined adequate by the court for the payment of such damages as any person may be entitled to recover as a result of a wrongful seizure or wrongful attempted seizure under this subsection; and

(B) the court finds that it clearly appears from specific facts that --

(i) an order other than an ex parte seizure order is not adequate to achieve the purposes of section 1114 of this title;

(ii) the applicant has not publicized the requested seizure;

(iii) the applicant is likely to succeed in showing that the person against whom seizure would be ordered used a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services;

(iv) an immediate and irreparable injury will occur if such seizure is not ordered;

(v) the matter to be seized will be located at the place identified in the application;

(vi) the harm to the applicant of denying the application outweighs the harm to the legitimate interests of the person against whom seizure would be ordered of granting the application; and

(vii) the person against whom seizure would be ordered, or persons acting in concert with such person, would destroy, move, hide, or otherwise make such matter inaccessible to the court, if the applicant were to proceed on notice to such person.

(5) An order under this subsection shall set forth --

(A) the findings of fact and conclusion of law required for the order;

(B) a particular description of the matter to be seized, and a description of each place at which such matter is to be seized;

(C) the time period, which shall end not later than seven days after the date on which such order is issued, during which the seizure is to be made;

(D) the amount of security required to be provided under this subsection; and

(E) a date for the hearing required under paragraph (10) of this subsection.

(6) The court shall take appropriate action to protect the person

against whom an order under the subsection is directed from publicity, by or at the behest of the plaintiff, about such order and any seizure under such order.

(7) Any materials seized under this subsection shall be taken into the custody of the court. The court shall enter an appropriate protective order with respect to discovery by the applicant of any records that have been seized. The protective order shall provide for appropriate procedures to assure that confidential information contained in such records is not improperly disclosed to the applicant.

(8) An order under this subsection, together with the supporting documents, shall be sealed until the person against whom the order is directed has an opportunity to contest such order, except that any person against whom such order is issued shall have access to such order and supporting documents after the seizure has been carried out.

(9) The court shall order that a United States marshal or other law enforcement officer is to serve a copy of the order under this subsection and then is to carry out the seizure under such order. The court shall issue orders, when appropriate, to protect the defendant from undue damage from the disclosure of trade secrets or other confidential information during the course of the seizure, including, when appropriate, orders restricting

the access of the applicant (or any agent or employee of the applicant) to such secrets or information.

(10)(A) The court shall hold a hearing, unless waived by all the parties on the date set by the court in the order of seizure. That date shall be not sooner than ten days after the order is issued and not later than fifteen days after the order is issued, unless the application for the order shows good cause for another date or unless the party against whom such order is directed consents to another date for such hearing. At such hearing the party obtaining the order shall have the burden to prove that the facts supporting findings of fact and conclusions of law necessary to support such order are still in effect. If that party fails to meet that burden, the seizure order shall be dissolved or modified appropriately.

(B) In connection with a hearing under this paragraph, the court may make such orders modifying the time limits for discovery under the Rules of Civil Procedure as may be necessary to prevent the frustration of the purposes of such hearing.

(11) A person who suffers damage by reason of a wrongful seizure under this subsection has a cause of action against the applicant for the order under which such seizure was made, and shall be entitled to recover such relief as may be appropriate, includ-

ing damages for lost profits, cost of materials, loss of good will, and punitive damages in instances where the seizure was sought in bad faith, and, unless the court finds extenuating circumstances, to recover a reasonable attorney's fee. The court in its discretion may award prejudgment interest on relief recovered under this paragraph, at an annual interest rate established under section 6621 of Title 26, commencing on the date of service of the claimant's pleading setting forth the claim under this paragraph and ending on the date such recovery is granted, or for such shorter time as the court deems appropriate.

* * *

§1117. Recovery for violation of rights

(a) Profits; damages and costs; attorney fees

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits

the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

(b) Treble damages for use of counterfeit mark

In assessing damages under subsection (a) of this section, the court shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, whichever is greater, together with a reasonable attorney's fee, in the case of any violation of section 1114(1)(A) of this title or section 380 of Title 36 that consists of intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark (as defined in section 1116(d) of this title), in connection with the sale, offering for sale, or distribution of goods or services. In such cases, the

court may in its discretion award prejudgment interest on such amount at an annual interest rate established under section 6621 of Title 26, commencing on the date of the service of the claimant's pleadings setting forth the claim for such entry and ending on the date such entry is made, or for such shorter time as the court deems appropriate.

§1118. Destruction of infringing articles

In any action arising under this chapter, in which a violation of any right of the registrant of a mark registered in the Patent and Trademark Office shall have been established, the court may order that all lables, signs, prints, packages, wrappers, receptacles, and advertisements in the possession of the defendant, bearing the registered mark or any reproduction, counterfeit, copy, or colorable imitation thereof, and all plates, molds, matrices, and other means of making the same, shall be delivered up and destroyed. The party seeking an order under this section for destruction of articles seized under section 1116(d) of this title shall given ten days' notice to the United States attorney for the judicial district in which such order is sought (unless good cause is shown for lesser notice) and such United States attorney may, if such destruction may affect evidence of an offense against the United States, seek a hearing on such

destruction or participate in any hearing otherwise to be held with respect to such destruction.

* * *

§1125. False designations of origin and false descriptions forbidden

(a) Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation or origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

APPENDIX G

Rule 49. Special Verdicts and Interrogatories

(a) Special Verdicts. The court may require a jury to return only a special verdict in the form of a special written finding upon each issue of fact. In that event the court may submit to the jury written questions susceptible of categorical or other brief answer or may submit written forms of the several special findings which might properly be made under the pleadings and evidence; or it may use such other method of submitting the issues and requiring the written findings thereon as other method of submitting the issues and requiring the written findings thereon as it deems most appropriate. The court shall give to the jury such explanation and instruction concerning the matter thus submitted as may be necessary to enable the jury to make its findings upon each issue. If in so doing the court omits any issue of fact raised by the pleadings or by the evidence, each party waives the right to a trial by jury of the issue so omitted unless before the jury retires the party demands its submission to the jury. As to an issue omitted without such demand the court may make a finding; or, if it fails to do so, it shall be deemed to have made a finding in accord with the judgment on the special verdit.

APPENDIX H

Rule 51. Instructions to Jury: Objection

At the close of the evidence or at such earlier time during the trial as the court reasonably directs, any party may file written requests that the court instruct the jury on the law as set forth in the requests. The court shall inform counsel of its proposed action upon the requests prior to their arguments to the jury. The court, at its election, may instruct the jury before or after argument, or both. No party may assign as error the giving or the failure to give an instruction unless that party objects thereto before the jury retires to consider its verdict, stating distinctly the matter objected to and the grounds of the objection. Opportunity shall be given to make the objection out of the hearing of the jury.